

**REPORT OF THE AUDIT OF THE  
CASEY COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Ronald D. Wright, Casey County Judge/Executive

Members of the Casey County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates, PSC, evaluated the Casey County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CASEY COUNTY FISCAL COURT**

**June 30, 2007**

Simon, Underwood & Associates, PSC has completed the audit of the Casey County Fiscal Court for fiscal year ended June 30, 2007. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

#### **Financial Condition:**

The fiscal court had net assets of \$9,141,573 as of June 30, 2007. The fiscal court had unrestricted net assets of \$301,972 in its governmental activities as of June 30, 2007, with total net assets of \$9,039,401. In its business-type activities, total net cash and cash equivalents were \$38,757 with total net assets of \$102,172. In the fiduciary fund, total cash and cash equivalents held in custody for others was \$8,365. The fiscal court had total debt principal as of June 30, 2007 of \$10,474,600 with \$807,412 due within the next year.

#### **Report Comment:**

- 2007-01 The Fiscal Court Should Eliminate The Cash Overdraft In The Jail Fund
- 2007-02 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Payroll
- 2007-03 The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

#### **Deposits:**

As of June 30, 2007, the fiscal court's deposits were insured and collateralized by bank securities.



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*Simon,  
Underwood &  
Associates* PSC

Certified Public Accountants and Consultants

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Ronald D. Wright, Casey County Judge/Executive  
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Casey County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Casey County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky as of June 30, 2007 and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Ronald D. Wright, Casey County Judge/Executive  
Members of the Casey County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Casey County, Kentucky's basic financial statements. The accompanying combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2008, on our consideration of Casey County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2007-01 The Fiscal Court Should Eliminate The Cash Overdraft In The Jail Fund
- 2007-02 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Payroll
- 2007-03 The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

*Simon, Underwood & Associates PSC*

November 14, 2008

CASEY COUNTY OFFICIALS

For The Year Ended June 30, 2007

**Fiscal Court Members:**

Ronald D. Wright	County Judge/Executive
Kenny Morgan	Magistrate through December 31, 2006
Mark Meece	Magistrate beginning January 1, 2007
Gary Johnson	Magistrate
Herbert "Creech" Carman	Magistrate through December 31, 2006
David Phelps	Magistrate beginning January 1, 2007
Mike McQueary	Magistrate through December 31, 2006
Leon Wesley	Magistrate beginning January 1, 2007

**Other Elected Officials:**

Thomas M. Weddle, Jr.	County Attorney
Tommy Miller	Jailer
Eva S. Miller	County Clerk
Craig Overstreet	Circuit Court Clerk
Jerry Coffman	Sheriff
Johnnie Beard, Jr.	Property Valuation Administrator through December 31, 2006
Eric Brown	Property Valuation Administrator beginning January 1, 2007
Thomas Clark	Coroner

**Appointed Personnel:**

Danea Carman	County Treasurer
Judy Allen	Deputy Judge/Executive

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**CASEY COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**



**CASEY COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	Primary Government		
	Governmental	Business-Type	Totals
	Activities	Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 111,473	\$ 38,757	\$ 150,230
Assets Held For Resale	276,720		276,720
Total Current Assets	388,193	38,757	426,950
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	1,236,500		1,236,500
Construction In Progress	3,259,576		3,259,576
Land Improvements	27,854		27,854
Buildings	11,847,668		11,847,668
Other Equipment	418,317	43,703	462,020
Vehicles and Equipment	58,445	19,712	78,157
Infrastructure	2,277,448		2,277,448
Total Noncurrent Assets	19,125,808	63,415	19,189,223
Total Assets	19,514,001	102,172	19,616,173
<b>LIABILITIES</b>			
Current Liabilities:			
Line of Credit	293,315		293,315
Revenue Bonds Payable	255,000		255,000
Financing Obligation Payable	259,097		259,097
Total Current Liabilities	807,412		807,412
Noncurrent Liabilities:			
Revenue Bonds Payable	5,520,000		5,520,000
Financing Obligation Payable	4,147,188		4,147,188
Total Noncurrent Liabilities	9,667,188		9,667,188
Total Liabilities	10,474,600		10,474,600
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	8,682,208	63,415	8,745,623
Restricted For:			
Debt Service	55,221		55,221
Unrestricted	301,972	38,757	340,729
Total Net Assets	\$ 9,039,401	\$ 102,172	\$ 9,141,573

The accompanying notes are an integral part of the financial statements.

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**CASEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**

**CASEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,164,051	\$ 111,648	\$ 704,243	\$ 1,332,184
Protection to Persons and Property	1,996,139	2,582,920	140,120	
General Health and Sanitation	249,721	26,927	6,400	
Recreation and Culture	24,803			
Roads	1,041,805		1,198,324	750,000
Interest On Long-term Debt	471,886			
Capital Projects	204,345			10,673
Total Governmental Activities	6,152,750	2,721,495	2,049,087	2,092,857
Business-Type Activities:				
Jail Canteen	340,211	368,237		
Total Business-Type Activities	340,211	368,237		
Total Primary Government	\$ 6,492,961	\$ 3,089,732	\$ 2,049,087	\$ 2,092,857

General Revenues:

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Insurance Premium Taxes  
Other Taxes  
Excess Fees  
Other Revenue  
Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**CASEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (15,976)	\$	\$ (15,976)
726,901		726,901
(216,394)		(216,394)
(24,803)		(24,803)
906,519		906,519
(471,886)		(471,886)
(193,672)		(193,672)
710,689		710,689
	28,026	28,026
	28,026	28,026
710,689	28,026	738,715
277,863		277,863
21,835		21,835
62,007		62,007
649,867		649,867
34,955		34,955
15,636		15,636
721,354		721,354
14,676		14,676
1,798,193		1,798,193
2,508,882	28,026	2,536,908
6,530,519	74,146	6,604,665
\$ 9,039,401	\$ 102,172	\$ 9,141,573

The accompanying notes are an integral part of the financial statements.

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**CASEY COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**CASEY COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Federal Grant Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 55,230	\$ 91,152	\$	\$ 50,000
Total Assets	<u>55,230</u>	<u>91,152</u>	<u></u>	<u>50,000</u>
<b>LIABILITIES</b>				
Pooled Cash Overdraft			172,114	
Total Liabilities			<u>172,114</u>	
<b>FUND BALANCES</b>				
Reserved for:				
Debt Service				
Unreserved:				
General Fund	55,230			
Special Revenue Funds		91,152	(172,114)	\$ 50,000
Total Fund Balances	<u>55,230</u>	<u>91,152</u>	<u>(172,114)</u>	<u>50,000</u>
Total Liabilities and Fund Balances	<u>\$ 55,230</u>	<u>\$ 91,152</u>	<u></u>	<u>\$ 50,000</u>

The accompanying notes are an integral part of the financial statements.

**CASEY COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

<b>Casey County Public Properties Corporation Judicial Center Project Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 55,221	\$ 31,984	\$ 283,587
55,221	31,984	283,587
		172,114
		172,114
55,221		55,221
		55,230
	31,984	1,022
55,221	31,984	111,473
\$ 55,221	\$ 31,984	\$ 283,587

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 111,473
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Assets Held For Resale are not Financial Resources and therefore are not reported in the funds.	276,720
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	21,638,686
Accumulated Depreciation	(2,512,878)
Long-Term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Due Within One Year - Bonds, Financing Obligations, Line of Credit	(807,412)
Due In More Than One Year - Bonds and Financing Obligations	(9,667,188)
Net Assets Of Governmental Activities	\$ 9,039,401

The accompanying notes are an integral part of the financial statements.

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**CASEY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CASEY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Federal Grant Fund</u>
<b>REVENUES</b>				
Taxes	\$ 1,046,527	\$	\$	\$
Excess Fees	15,636			
Licenses and Permits	24,168			
Intergovernmental	1,611,298	1,948,324	2,582,028	
Charges for Services	34,323		37,349	
Miscellaneous	338,389	12,615	122,569	
Interest	7,409	3,068	1,057	
Total Revenues	<u>3,077,750</u>	<u>1,964,007</u>	<u>2,743,003</u>	
<b>EXPENDITURES</b>				
General Government	2,237,518			
Protection to Persons and Property	60,441		1,788,603	
General Health and Sanitation	229,045			
Recreation and Culture	46,450			
Roads		2,064,817		
Debt Service	819,681		812,012	
Capital Projects			204,345	
Administration	711,683	137,945	290,403	
Total Expenditures	<u>4,104,818</u>	<u>2,202,762</u>	<u>3,095,363</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,027,068)</u>	<u>(238,755)</u>	<u>(352,360)</u>	
<b>Other Financing Sources (Uses)</b>				
Proceeds From Sale of Assets Held For Resale	76,008	152,015		
Debt Issuance	831,196		293,315	
Transfers From Other Funds	129,553			
Transfers To Other Funds	(107,000)	(40,000)	(50,000)	
Total Other Financing Sources (Uses)	<u>929,757</u>	<u>112,015</u>	<u>243,315</u>	
Net Change in Fund Balances	(97,311)	(126,740)	(109,045)	
Fund Balances - Beginning (Restated)	152,541	217,892	(63,069)	50,000
Fund Balances - Ending	<u>\$ 55,230</u>	<u>\$ 91,152</u>	<u>\$ (172,114)</u>	<u>\$ 50,000</u>

The accompanying notes are an integral part of the financial statements.

**CASEY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Casey County Public Properties Corporation Judicial Center Project Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 121,538	\$ 1,168,065
		15,636
		24,168
502,625	15,909	6,660,184
		71,672
	5,634	479,207
2,904	239	14,677
<u>505,529</u>	<u>143,320</u>	<u>8,433,609</u>
		2,237,518
	191,723	2,040,767
		229,045
		46,450
		2,064,817
500,624		2,132,317
		204,345
2,218	26,833	1,169,082
<u>502,842</u>	<u>218,556</u>	<u>10,124,341</u>
<u>2,687</u>	<u>(75,236)</u>	<u>(1,690,732)</u>
		228,023
		1,124,511
	107,000	236,553
	(39,553)	(236,553)
	<u>67,447</u>	<u>1,352,534</u>
2,687	(7,789)	(338,198)
52,534	39,773	449,671
<u>\$ 55,221</u>	<u>\$ 31,984</u>	<u>\$ 111,473</u>

The accompanying notes are an integral part of the financial statements.

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**CASEY COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CASEY COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (338,198)
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Are Allocated Over their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	2,767,666
Depreciation Expense	(479,927)
Assets Held For Resale	276,720
Assets Held for Resale, Disposed of	(253,299)
Debt proceeds provide current financial resources to governmental funds while payments on principal are expensed in the governmental funds as a use of current financial resources. These transactions, however, have no effect on net assets.	
Financing Obligation Proceeds	(1,124,511)
Bond Payments	245,000
Financing Obligation and Line of Credit Payments	<u>1,415,431</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,508,882</u>

The accompanying notes are an integral part of the financial statements.

**CASEY COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**





**CASEY COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

	<u><b>Business-Type Activities</b></u>
	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 38,757
Total Current Assets	<u>38,757</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	128,110
Less: Accumulated Depreciation	<u>(64,695)</u>
Total Noncurrent Assets	<u>63,415</u>
Total Assets	<u>102,172</u>
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	63,415
Unrestricted	38,757
Total Net Assets	<u><u>\$ 102,172</u></u>

The accompanying notes are an integral part of the financial statements.

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**CASEY COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**CASEY COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 368,237
Total Operating Revenues	<u>368,237</u>
<b>Operating Expenses</b>	
Cost of Sales	203,806
Educational and Recreational	59,340
Salaries	36,284
Depreciation	24,339
Sales Tax	12,188
Miscellaneous	4,254
Total Operating Expenses	<u>340,211</u>
Operating Income	<u>28,026</u>
Change In Net Assets	28,026
Total Net Assets - Beginning	74,146
Total Net Assets - Ending	<u><u>\$ 102,172</u></u>

The accompanying notes are an integral part of the financial statements.

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**CASEY COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**





**CASEY COUNTY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<u><b>Business-Type Activities</b></u>
	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 368,237
Cost of Sales	(203,806)
Educational and Recreational	(59,340)
Other	(52,726)
Net Cash Provided By Operating Activities	<u>52,365</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Capital Assets Purchased	(38,590)
Net Cash (Used) By Capital and Related Financing Activities	<u>(38,590)</u>
Net (Decrease) in Cash and Cash Equivalents	13,775
Cash and Cash Equivalents - July 1, 2006	<u>24,982</u>
Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 38,757</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 28,026
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities - Depreciation Expense	<u>24,339</u>
Net Cash Provided By Operating Activities	<u><u>\$ 52,365</u></u>

The accompanying notes are an integral part of the financial statements.

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**CASEY COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**



**CASEY COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u>Agency Fund</u>
	<u>Casey County Inmate Detention Fund</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$       8,365
Total Assets	<u>8,365</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>8,365</u>
Total Liabilities	<u>8,365</u>
<b>Net Assets</b>	
Total Net Assets	<u>\$           0</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Casey County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Units**

The following legally separate organization provided its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Casey County Public Properties Corporation**

In 2002, the Casey County Fiscal Court (Fiscal Court) established the Casey County Public Properties Corporation (Corporation) for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Casey County. The Corporation consists of the five members of the Fiscal Court, which includes the Casey County Judge/Executive and the four magistrates and has perpetual existence. Since the Fiscal Court has complete authority over this entity this makes it a component unit of the county. The financial information for the Casey County Public Properties Corporation is blended within Casey County's financial statements.

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Kentucky law provides for election of the officials below from the geographic area constituting Casey County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Casey County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.



**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-Wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Federal Grant Fund - The purpose of this fund is to manage federal awards for various awards programs.

Casey County Public Properties Corporation Judicial Center Project Fund - This fund accounts for the activities of the Casey County Public Properties Corporation, a blended component unit of the county. The Casey County Public Properties Corporation issued debt to build a Judicial Center facility. The Casey County Public Properties Corporation entered into a contract, lease and option with the County and the Administrative Office of the Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-Wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The primary government also has the following non-major funds: Local Government Economic Assistance Fund (LGEA), E - 911 Fund, and the Special Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Federal Grant Fund, Local Government Economic Assistance Fund (LGEA), E - 911 Fund, and Special Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Funds:**

Casey County Public Properties Corporation Judicial Center Project Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, educational and recreational expenses, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-Wide and Fund Financial Statements (Continued)**

**Proprietary Funds (Continued)**

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Casey County Inmate Detention Fund is used to account for inmate monies held by the Casey County Detention Center for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

**D. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**E. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Capital Assets (Continued)**

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land, Construction In Progress and certain land improvements are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50
Office Equipment	\$ 1,000	3-25

**F. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**G. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Casey County Public Properties Corporation Judicial Center Project Fund (blended component unit) is not budgeted by the county treasurer. The Department for Local Government does not require the fiscal court to report or budget these funds.

**I. Related Organizations and Joint Ventures**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the East Casey County Water District and the Casey County Emergency Ambulance Service District are considered related organizations of Casey County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Casey County Fiscal Court:

- The Economic Development Authority of Liberty/Casey County (with the City of Liberty)
- Liberty/Casey Airport Board (with the City of Liberty)
- Liberty/Casey County Rescue Squad (with the City of Liberty)

**Note 2. Deposits**

The County maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,236,500	\$	\$	\$ 1,236,500
Construction In Progress	2,023,915	1,235,661		3,259,576
Total Capital Assets Not Being Depreciated	3,260,415	1,235,661		4,496,076
Capital Assets, Being Depreciated:				
Land Improvements	32,325			32,325
Buildings	12,742,086	349,961		13,092,047
Other Equipment	1,031,991	53,922		1,085,913
Vehicles and Equipment	471,758	9,000		480,758
Infrastructure	1,332,445	1,119,122		2,451,567
Total Capital Assets Being Depreciated	15,610,605	1,532,005		17,142,610
Less Accumulated Depreciation For:				
Land Improvements	(2,639)	(1,832)		(4,471)
Buildings	(976,522)	(267,857)		(1,244,379)
Other Equipment	(572,426)	(95,170)		(667,596)
Vehicles and Equipment	(402,886)	(19,427)		(422,313)
Infrastructure	(78,478)	(95,641)		(174,119)
Total Accumulated Depreciation	(2,032,951)	(479,927)		(2,512,878)
Total Capital Assets, Being Depreciated, Net	13,577,654	1,052,078		14,629,732
Governmental Activities Capital Assets, Net	\$ 16,838,069	\$ 2,287,739	\$ 0	\$ 19,125,808

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Other Equipment	\$ 72,570	\$ 19,280	\$	\$ 91,850
Vehicles and Equipment	16,950	19,310		36,260
Total Capital Assets Being Depreciated	89,520	38,590		128,110
Less Accumulated Depreciation For:				
Other Equipment	(30,696)	(17,451)		(48,147)
Vehicles and Equipment	(9,660)	(6,888)		(16,548)
Total Accumulated Depreciation	(40,356)	(24,339)		(64,695)
Total Capital Assets, Being Depreciated, Net	49,164	14,251		63,415
Business-Type Activities Capital Assets, Net	\$ 49,164	\$ 14,251	\$	\$ 63,415

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 146,535
Protection to Persons and Property	189,189
General Health and Sanitation	7,433
Social Services	13,243
Recreation and Culture	2,803
Roads, Including Depreciation of General Infrastructure Assets	<u>120,724</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 479,927</u>

Business-Type Activities

Jail Canteen	<u>\$ 24,339</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 24,339</u>

**Note 4. Short-term Debt**

**A. Line of Credit**

In March 2006, Casey County signed a promissory note with Casey County Bank in the amount of \$500,000 at 4.53% interest rate for a line of credit. As of June 30, 2006, the outstanding amount was \$400,000. During the current fiscal year, the County borrowed \$1,093,511 for construction of a Jail addition and made payments on the line of credit of \$1,200,196. The outstanding balance as of June 30, 2007 was \$293,315.

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 4. Short-term Debt (Continued)**

**B. Kentucky Advance Revenue Program**

In July 2006, Casey County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$1,011,450, with principal being due in January 2007. Of the funds, \$909,200 was allocated to the General Fund and \$102,250 was allocated to the Road Fund. While the county did not use the borrowed funds in order to meet current General Fund and Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$6,213 and \$699 in the General Fund and Road Fund, respectively.

**C. Sheriff**

In June 2007, Casey County borrowed \$31,000, non-interest debt financing, from the Sheriff's Office for funding payroll expenditures at year-end. The outstanding balance as of June 30, 2007 was \$31,000.

**D. Changes in Short-term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
KARP	\$	\$ 1,011,450	\$ 1,011,450	\$	\$
Financing Obligation		31,000		31,000	31,000
Line of Credit	400,000	1,093,511	\$1,200,196	293,315	293,315
Governmental Activities:					
Short-term Liabilities	<u>\$ 400,000</u>	<u>\$ 2,135,961</u>	<u>\$ 2,211,646</u>	<u>\$ 324,315</u>	<u>\$ 324,315</u>

**Note 5. Long-term Debt**

**A. Casey County Public Properties Corporation First Mortgage Revenue Bonds Series 2002**

On February 1, 2002 the Casey County Public Properties Corporation issued \$6,735,000 First Mortgage Revenue Bonds, Series 2002 for the purpose of constructing a new Judicial Center facility for lease to the Administrative Office of the Courts. The bonds mature serially through August 1, 2022 and require annual principal payments due on August 1. Semi-annual payments of trustee fees and interest payments at a variable interest rate ranging from 1.75% to 4.75% are due on February 1 and August 1 of each year. Bonds outstanding as of June 30, 2007 were \$5,775,000. Future principal and interest requirements are:



**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**A. Casey County Public Properties Corporation First Mortgage Revenue Bonds Series 2002 (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Program Fees
2008	\$ 255,000	\$ 249,303
2009	265,000	239,871
2010	275,000	229,540
2011	290,000	218,523
2012	300,000	206,868
2013-2017	1,715,000	829,698
2018-2021	2,175,000	392,874
2022	500,000	12,875
Total	<u>\$ 5,775,000</u>	<u>\$ 2,379,552</u>

The Casey County Public Properties Corporation, Casey County, and the Administrative Office of the Courts (AOC) entered into a lease agreement dated March 1, 2001, and a lease addendum dated February 1, 2002 wherein AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to be adequate to pay 100% of the net debt service on the bonds.

**B. Kentucky Area Development Districts (KADD) Financing Trust - Jail Construction Project**

On March 29, 2001, the Casey County Fiscal Court entered into an agreement with KADD Financing Trust for the construction of a new detention facility. Total principal was \$4,890,000, and requires annual principal payments due on November 20<sup>th</sup> beginning on November 20, 2002 for a period of 20 years. Program fees and interest payments are due semi-annually at a variable interest rate ranging from 4.00% to 5.35% due on November 20 and May 20, beginning on May 20, 2001 for a period of 20 years. Principal outstanding as of June 30, 2007 was \$4,220,000. Future principal and interest requirements including program fees are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Program Fees
2008	185,000	211,091
2009	195,000	202,968
2010	200,000	194,425
2011	215,000	185,345
2012	220,000	175,665
2013-2017	1,255,000	707,950
2018-2021	1,580,000	346,698
2022	370,000	9,898
Total	<u>\$ 4,220,000</u>	<u>\$ 2,034,040</u>

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Backhoe Loader**

On August 17, 2005, the Casey County Fiscal Court entered into a four-year financing obligation with CNH Capital for the purchase of a backhoe loader. The principal amount borrowed was \$61,850 with an interest rate of 7.25 %. The agreement requires monthly payments of principal and interest.

The outstanding balance as of June 30, 2007 was \$34,230. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Program Fees
2008	15,788	1,964
2009	16,971	780
2010	1,471	9
Total	<u>\$ 34,230</u>	<u>\$ 2,753</u>

**D. 911 Equipment**

On June 29, 2006, the Casey County Fiscal Court entered into a five-year financing obligation with Kansas State Bank of Manhattan for the purchase of 911 Equipment. The principal amount borrowed was \$146,603 with an interest rate of 6.7 %. The agreement requires quarterly payments of principal and interest.

The outstanding balance as of June 30, 2007 was \$121,055. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest and Program Fees
2008	27,309	7,456
2009	29,191	5,574
2010	31,202	3,563
2011	33,353	1,413
Total	<u>\$ 121,055</u>	<u>\$ 18,006</u>

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 6,020,000	\$	\$ 245,000	\$ 5,775,000	\$ 255,000
Financing Obligation	4,590,520		215,235	4,375,285	228,097
Governmental Activities					
Long-term Liabilities	<u>\$ 10,610,520</u>	<u>\$ 0</u>	<u>\$ 460,235</u>	<u>\$ 10,150,285</u>	<u>\$ 483,097</u>

**Note 6. Related Party Transactions**

For the year ended June 30, 2007, the fiscal court paid a total of \$6,626 to Wright Implement Company, Inc. for various road maintenance supplies. The County Judge/Executive's sister and sister-in-law own Wright Implement Company, Inc. Also, the fiscal court paid a total of \$1,244 to A & D Supermarket, which is owned by the County Judge/Executive. Although the County Judge/Executive owns the supermarket, it is leased to an individual and the County Judge/Executive does not participate in the day-to-day operations. The county's code of ethics states "no county officer, county employee, or immediate family member of the officer or employee, shall have an interest in a business, or engage in any business, transaction, or activity, which is in substantial conflict with the proper discharge of the public duties of the officer or employee." It further defines "immediate family member" as spouse, child, or person claimed as dependent for tax purposes; therefore, the County Judge/Executive is not in violation of the county's code of ethics. Furthermore, the County Judge/Executive removed himself from fiscal court meetings that involved Wright Implement Company, Inc. transactions. On February 21, 2000, the Casey County Board of Ethics confirmed that there was no violation of the code.

**CASEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirements System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Insurance**

For the fiscal year ended June 30, 2007, Casey County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Estimated Historical Costs**

The County Garage/Recycling Center and the Casey County Senior Citizens buildings' historical costs are estimates. The primary government used the year the buildings were built and used an assessed value of the buildings based upon a report from the Property Valuation Administrator. The assessed value was then deflated back to the year of construction to arrive at estimated historical cost.

**Note 10. Prior Period Adjustments**

The beginning net assets of governmental activities have been restated by \$728 from \$6,529,791 to \$6,530,519 for prior year voided checks. The beginning balances of the General Fund, Jail Fund and E-911 Fund were restated as well.

**CASEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**



**CASEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 903,000	\$ 1,049,360	\$ 1,046,527	\$ (2,833)
Excess Fees	80,000	80,000	15,636	(64,364)
Licenses and Permits	19,000	22,132	24,168	2,036
Intergovernmental Revenue	2,186,630	2,828,422	1,611,298	(1,217,124)
Charges for Services	37,100	37,100	34,323	(2,777)
Miscellaneous	221,600	472,272	338,389	(133,883)
Interest	10,000	11,213	7,409	(3,804)
Total Revenues	<u>3,457,330</u>	<u>4,500,499</u>	<u>3,077,750</u>	<u>(1,422,749)</u>
<b>EXPENDITURES</b>				
General Government	2,682,251	2,845,250	2,237,518	607,732
Protection to Persons and Property	44,319	69,611	60,441	9,170
General Health and Sanitation	195,027	292,390	229,045	63,345
Recreation and Culture		46,450	46,450	
Debt Service		637,696	500,000	137,696
Capital Projects		581,000		581,000
Administration	638,193	842,200	711,683	130,517
Total Expenditures	<u>3,559,790</u>	<u>5,314,597</u>	<u>3,785,137</u>	<u>1,529,460</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(102,460)</u>	<u>(814,098)</u>	<u>(707,387)</u>	<u>106,711</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds From Sale of Assets Held For Resale			76,008	76,008
Transfers From Other Funds	40,000	40,000	129,553	89,553
Transfers To Other Funds	(60,000)	(60,000)	(107,000)	(47,000)
Borrowed Money		637,696	831,196	193,500
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>617,696</u>	<u>929,757</u>	<u>312,061</u>
Net Changes in Fund Balance	(122,460)	(196,402)	222,370	418,772
Fund Balance - Beginning (Restated)	<u>122,460</u>	<u>182,094</u>	<u>152,541</u>	<u>(29,553)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (14,308)</u>	<u>\$ 374,911</u>	<u>\$ 389,219</u>

**CASEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,290,072	\$ 1,948,413	\$ 1,948,324	\$ (89)
Miscellaneous	10,600	167,363	12,615	(154,748)
Interest	10,000	10,000	3,068	(6,932)
Total Revenues	<u>1,310,672</u>	<u>2,125,776</u>	<u>1,964,007</u>	<u>(161,769)</u>
<b>EXPENDITURES</b>				
Roads	1,138,975	2,071,589	2,064,817	6,772
Administration	131,697	232,079	137,945	94,134
Total Expenditures	<u>1,270,672</u>	<u>2,303,668</u>	<u>2,202,762</u>	<u>100,906</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>40,000</u>	<u>(177,892)</u>	<u>(238,755)</u>	<u>(60,863)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds From Sale of Assets Held For Resale			152,015	152,015
Transfers To Other Funds	(40,000)	(40,000)	(40,000)	
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>112,015</u>	<u>152,015</u>
Net Changes in Fund Balance		(217,892)	(126,740)	91,152
Fund Balance - Beginning		217,892	217,892	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91,152</u>	<u>\$ 91,152</u>



**CASEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 3,281,772	\$ 3,717,588	\$ 2,582,028	\$ (1,135,560)
Charges for Services	35,500	41,678	37,349	(4,329)
Miscellaneous	72,200	121,002	122,569	1,567
Interest		1,137	1,057	(80)
Total Revenues	<u>3,389,472</u>	<u>3,881,405</u>	<u>2,743,003</u>	<u>(1,138,402)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,470,850	1,814,214	1,788,603	25,611
Debt Service	1,016,739	1,016,739	812,012	204,727
Capital Projects		246,948	204,345	42,603
Administration	901,883	803,729	290,403	513,326
Total Expenditures	<u>3,389,472</u>	<u>3,881,630</u>	<u>3,095,363</u>	<u>786,267</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(225)</u>	<u>(352,360)</u>	<u>(352,135)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds			(50,000)	(50,000)
Borrowed Money			293,315	293,315
Total Other Financing Sources (Uses)			<u>243,315</u>	<u>243,315</u>
Net Changes in Fund Balance		(225)	(109,045)	(108,820)
Fund Balance - Beginning (Restated)		<u>225</u>	<u>(63,069)</u>	<u>(63,294)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (172,114)</u>	<u>\$ (172,114)</u>

**CASEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>FEDERAL GRANT FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$	\$	\$	\$
Total Revenues				
<b>EXPENDITURES</b>				
General Government		50,000		50,000
Total Expenditures		50,000		50,000
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(50,000)		50,000
Net Changes in Fund Balances		(50,000)		50,000
Fund Balances - Beginning		50,000	50,000	
Fund Balances - Ending	\$ 0	\$ 0	\$ 50,000	\$ 50,000

**CASEY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of General Fund**

Total Expenditures - Budgetary Basis	\$ 3,785,137
To Record Financing Obligation Payments	<u>319,681</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 4,104,818</u></u>
Ending Fund Balance - Budgetary Basis	\$ 374,911
Less: Financing Obligation Payments	<u>(319,681)</u>
Ending Fund Balance - Modified Cash Basis	<u><u>\$ 55,230</u></u>

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**CASEY COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**



**CASEY COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**

	<b>LGEA Fund</b>	<b>E-911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 25,866	\$ 6,118	\$ 31,984
Total Assets	<u>25,866</u>	<u>6,118</u>	<u>31,984</u>
 <b>FUND BALANCES</b>			
Unreserved:			
Special Revenue Funds	<u>25,866</u>	<u>6,118</u>	<u>31,984</u>
Total Fund Balances	<u>\$ 25,866</u>	<u>\$ 6,118</u>	<u>\$ 31,984</u>

The accompanying notes are an integral part of the financial statements.

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**CASEY COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**



**CASEY COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	<b>LGEA Fund</b>	<b>E-911 Fund</b>	<b>Special Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$	\$121,538	\$	\$ 121,538
Intergovernmental	15,909			15,909
Miscellaneous		5,634		5,634
Interest	185	54		239
Total Revenues	16,094	127,226		143,320
<b>EXPENDITURES</b>				
Protection to Persons and Property		191,723		191,723
Administration		26,833		26,833
Total Expenditures		218,556		218,556
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	16,094	(91,330)		(75,236)
<b>OTHER FINANCING SOURCES</b>				
Transfers To Other Funds		(10,000)	(29,553)	(39,553)
Transfers From Other Funds		107,000		107,000
Total Other Financing Sources (Uses)		97,000	(29,553)	67,447
Net Change in Fund Balances	16,094	5,670	(29,553)	(7,789)
Fund Balances - Beginning (Restated)	9,772	448	29,553	39,773
Fund Balances - Ending	\$ 25,866	\$ 6,118	\$ 0	\$ 31,984

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





*Simon,  
Underwood &  
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Ronald D. Wright, Casey County Judge/Executive  
Members of the Casey County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 14, 2008. Casey County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Casey County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casey County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Casey County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control. Significant deficiencies are described in the accompanying comments and recommendations as items 2007-01, 2007-02, and 2007-03.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider these significant deficiencies to be material weaknesses: 2007-1, 2007-2, and 2007-3.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Casey County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The County Judge/Executive's responses to the findings identified in our audit are described in the accompanying comments and recommendations. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Casey County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

*Simon, Underwood & Associates PSC*

November 14, 2008



**CASEY COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2007**



**CASEY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2007**

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2007-01     The Fiscal Court Should Eliminate The Cash Overdraft In The Jail Fund

As of June 30, 2007, a fund deficit existed in the Jail Fund in the amount of \$172,114, which represents an increase from the prior year fund deficit of \$109,045. This deficit was also reflected on the fourth quarterly financial report previously submitted to the Department for Local Government (DLG).

The fund deficit is the result of spending more during the year in the Jail Fund than what was collected in revenue. Normally when this happens, the Fiscal Court will transfer funds from the General Fund to cover the excess, however, for the fiscal year ending June 30, 2007, this transfer did not occur.

We recommend the Fiscal Court more closely monitor activity within the Jail Fund to ensure the fund deficit does not increase. We further recommend the Fiscal Court implement procedures to eliminate this and any future deficit.

*County Judge/Executive Ronald D. Wright's Response: State checks weren't sent out in a timely manner. This problem has been corrected.*

2007-02     The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Payroll

The County Treasurer receives mail, posts to the receipts ledger, prepares bank reconciliations, prepares bank deposits, makes bank deposits, and prepares financial reports. The County Treasurer performs the entire payroll function including, among other duties, preparing payroll records, preparing payroll checks, and posting payroll expenses.

We recommend the Fiscal Court either segregate these functions or implement compensating controls to offset this control deficiency. Someone independent of the Treasurer should reconcile the monthly reports to source documents and/or receipts ledger, recount deposits prepared by the Treasurer, compare receipts listing to daily deposits and posting as well as review bank reconciliations. Department heads should compare payroll records to timesheets and payroll checks to payroll records. Someone independent of the Treasurer should input data/change data of pay rates for new hires and annual pay raises to ensure proper controls are in place.

*County Judge/Executive Ronald D. Wright's Response: Internal controls are being implemented. A review process is now in place.*

CASEY COUNTY  
 COMMENTS AND RECOMMENDATIONS  
 Fiscal Year Ended June 30, 2007  
 (Continued)

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:  
 (Continued)

2007-03     The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

The County did not have a completed capital asset schedule for fiscal year ending June 30, 2007. A list of capital asset additions, retirements and disposals were not properly maintained. In addition, assets were retired or disposed of without proper descriptions therefore we were unable to identify these items in order to remove the items from the capital asset schedule. A schedule of additions should be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. Furthermore, we believe that the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As equipment is retired or disposed of it should be removed from the listing. We recommend that the County maintain complete and accurate capital assets schedules and records to comply with GASB 34 requirements.

The Fiscal Court should take a physical inventory of its capital assets on a regular basis (such as every two to three years) or at the beginning of a new administration to ensure that only active, in-service machinery and equipment is included on the County's financial statements. We also recommend that the County implement policies that will identify and track additions, retirements and disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated and that depreciation is being calculated accurately.

*County Judge/Executive Ronald D. Wright's Response: We are working on this problem.*

PRIOR YEAR FINDINGS

2006-04     The Fiscal Court Should Monitor Allowable Costs/Cost Principles In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule And OMB Circular A-110

2006-05     The Fiscal Court Should Monitor Expenses Relating To The Davis-Bacon Act In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule And OMB Circular A-110

2006-06     The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule And OMB Circular A-110

Status:     The Fiscal Court has implemented procedures to correct these issues. Please note fiscal year end June 30, 2007 was not a single audit and, therefore, auditor did not perform any single audit procedures.

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CASEY COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



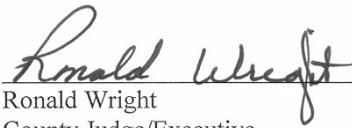
CERTIFICATION OF COMPLIANCE


LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CASEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Casey County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Ronald Wright  
County Judge/Executive

  
\_\_\_\_\_  
Danea Carman  
County Treasurer

